

**SUBSTANTIAL AMENDMENT TO THE
PROGRAM YEAR 2008 ANNUAL ACTION PLAN**

for

**THE NEIGHBORHOOD STABILIZATION PROGRAM
(NSP)**

SUBMITTED BY:

Shelby County, Tennessee

Department of Housing

1075 Mullins Station Road

Memphis, TN 38134

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A C WHARTON, JR., MAYOR

JIM VAZQUEZ, DEPARTMENT ADMINISTRATOR

Shelby County, Tennessee

Department of Housing

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**APPLICATION FOR
FEDERAL ASSISTANCE**

OMB Approved No. 3076-0006

Version 7/03

1. TYPE OF SUBMISSION: Application <input type="checkbox"/> Construction <input checked="" type="checkbox"/> Non-Construction		2. DATE SUBMITTED December 1, 2008	Applicant Identifier																					
<input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		3. DATE RECEIVED BY STATE	State Application Identifier																					
5. APPLICANT INFORMATION Legal Name: Shelby County Government Organizational DUNS: 4117889 Address: Street: 1075 Mullins Station Road City: Memphis County: Shelby State: TN Zip Code: 38134 Country: USA		4. DATE RECEIVED BY FEDERAL AGENCY Federal Identifier																						
6. EMPLOYER IDENTIFICATION NUMBER (EIN): 62-6000841		Organizational Unit: Department: Department of Housing Division: Name and telephone number of person to be contacted on matters involving this application (give area code) Prefix: Mr. First Name: James Middle Name: Curtis Last Name: Vazquez Suffix: Email: jim.vazquez@shelbycountyttn.gov Phone Number (give area code): (901) 379-7102 Fax Number (give area code): (901) 379-7129																						
8. TYPE OF APPLICATION: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) Other (specify)		7. TYPE OF APPLICANT: (See back of form for Application Types) B. County Other (specify)																						
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: TITLE (Name of Program): Labor Management Cooperation Program 14-218		9. NAME OF FEDERAL AGENCY: HUD																						
12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.): Shelby County, Tennessee		11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: Shelby County Neighborhood Stabilization Program																						
13. PROPOSED PROJECT Start Date: 12/1/2008 Ending Date: 7/30/2013		14. CONGRESSIONAL DISTRICTS OF: a. Applicant 7.8.9 b. Project																						
15. ESTIMATED FUNDING: <table style="width:100%;"> <tr> <td>a. Federal</td> <td>\$</td> <td>2,752,708</td> </tr> <tr> <td>b. Applicant</td> <td>\$</td> <td></td> </tr> <tr> <td>c. State</td> <td>\$</td> <td></td> </tr> <tr> <td>d. Local</td> <td>\$</td> <td></td> </tr> <tr> <td>e. Other</td> <td>\$</td> <td></td> </tr> <tr> <td>f. Program Income</td> <td>\$</td> <td></td> </tr> <tr> <td>g. TOTAL</td> <td>\$</td> <td>2,752,708</td> </tr> </table>		a. Federal	\$	2,752,708	b. Applicant	\$		c. State	\$		d. Local	\$		e. Other	\$		f. Program Income	\$		g. TOTAL	\$	2,752,708	16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS? a. Yes. <input type="checkbox"/> THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON DATE: b. No. <input checked="" type="checkbox"/> PROGRAM IS NOT COVERED BY E. O. 12372 <input type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW	
a. Federal	\$	2,752,708																						
b. Applicant	\$																							
c. State	\$																							
d. Local	\$																							
e. Other	\$																							
f. Program Income	\$																							
g. TOTAL	\$	2,752,708																						
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED. a. Authorized Representative Prefix: First Name: A C Middle Name: Last Name: Wharton Suffix: Jr. b. Title: Mayor of Shelby County, Tennessee c. Telephone Number (give area code): (901) 545-4500 d. Signature of Authorized Representative: e. Date Signed: November 26, 2008		17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT? <input type="checkbox"/> Yes If "Yes" attach an explanation. <input checked="" type="checkbox"/> No																						

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**APPROVED AS TO FORM
AND LEGALITY:**

Contract Administration/
Assistant County Attorney

Standard Form 424 (Rev.9-2003)
Prescribed by OMB Circular A-102

THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): <u>Shelby County, Tennessee</u> (<i>identify lead entity in case of joint agreements</i>)	NSP Contact Person: <u>Scott Walkup</u> Address: <u>Shelby County Department of Housing</u> <u>1075 Mullins Station Road</u> <u>Memphis, TN 38134</u>
Jurisdiction Web Address: <u>www.shelbycountyttn.gov</u> (<i>URL where NSP Substantial Amendment materials are posted</i>)	Telephone: <u>(901) 379-7110</u> Fax: <u>(901) 379-7129</u> Email: <u>scott.walkup@shelbycountyttn.gov</u>

EXECUTIVE SUMMARY

On July 30, 2008 the Housing and Economic Recovery Act of 2008 (H.R. 3221 or HERA) was enacted. HERA provides \$3.92 billion in emergency Community Development Block Grant (CDBG) funds for the Neighborhood Stabilization Program (NSP) to assist state and local governments in the redevelopment of abandoned and foreclosed homes in response to the foreclosure crisis.

On October 6, 2008, the U.S. Department of Housing and Urban Development (HUD) released a Notice in the Federal Register indicating the formula allocations and program requirements for the NSP. HUD's formula determined the amount of funding jurisdictions received, as well as how it is to be targeted based on the number and percentages of foreclosures, subprime mortgages, and defaults or delinquencies. This document serves as a substantial amendment to the Shelby County Department of Housing (SCDH) Annual Action Plan for the July 1, 2008 through June 30, 2009 fiscal year in accordance with HUD guidelines for the HUD Neighborhood Stabilization Program (NSP) under Title III of the Housing and Economic Recovery Act of 2008. HUD has allocated a total of \$2,752,708.00 in NSP funds to Shelby County, and this amendment describes how Shelby County Department of Housing anticipates using these funds.

SCDH has examined foreclosure and subprime loan data for Shelby County in an effort to identify areas of greatest need for targeting NSP funds. This analysis resulted in the determination that the 38127 zip code, particularly the Frayser area, is the area of greatest need in all of Shelby County. Accordingly, SCDH intends to target its NSP allocation to the 38127 zip code.

SCDH anticipates purchasing 37 vacant foreclosed properties in the 38127 zip code to provide affordable housing for sale or rent to 37 low-, middle-, and moderate income (LMMI) households. This will include demolition and new construction of 5 units and rehabilitation of 32 units. It is also anticipated that at least 10 of the 37 total units will be made available to households earning less than 50% of area median income.

Financing mechanisms to sell NSP units will include:

1. Tennessee Housing Development Agency (THDA) Loan programs.
2. Non-THDA loan programs
3. Lease-Purchase
4. The "Habitat for Humanity" 0% loan model
5. Long-term rental
6. Second mortgage financing.

All program income received as a result of NSP activities will be revolved into additional NSP eligible activities to provide housing for LMMI households in the 38127 zip code.

A. AREAS OF GREATEST NEED

Shelby County Department of Housing (SCDH) has conducted analysis to determine geographic areas of greatest need according to the three stipulated need categories in the NSP statute: (1) home foreclosures, (2) homes financed with subprime mortgage related loans, and (3) areas at risk for significant rise in the rate of home foreclosures. In conducting this analysis, SCDH relied on a number of data sources. These sources included HUD data provided to grantees as part of the NSP program; data from Community Building and Neighborhood Action (CBANA), a University of Memphis research program, and data from Chandler Reports, a residential real estate sales tracking business.

As part of SCDH's analysis, data was analyzed using a Geographic Information System (GIS) in order to conduct visual analysis of trends and conditions related to the three stipulated need categories described above. Some of the data available for analysis was measured by zip code, while some was measured by census tract or census tract and block group. Additionally, some foreclosure data was available by street address. In order to simplify target area designation, it was decided to overlay zip code boundaries on the data to determine if any particular zip code(s) appeared to exhibit extremes in the three stipulated need categories.

1. Foreclosures.

To examine foreclosures and foreclosure rates, SCDH considered data from CBANA, Chandler Reports and HUD.

Table 1. below depicts foreclosures by zip code as of October 2008 along with foreclosures by zip code from 2007 through 2008 according to Chandler Reports data for the top ten census tracts for highest foreclosures rates in Shelby County as a whole according to CBANA.

As Table 1. indicates, there were 2,666 foreclosures in the ten highest foreclosure rate zip codes through September 30, 2008. The greatest percentage of these foreclosures (15.3%) was located in the 38127 zip code.

Table 1.

Foreclosures In the Top Ten Highest Foreclosure Rate Zip Codes		
Zip Code	Foreclosures September 30, 2008	%
38127	408	15.3
38109	331	12.4
38118	293	11
38128	302	11.3
38141	207	7.7
38111	220	8.3
38106	265	9.9
38116	204	7.7
38115	232	8.7
38114	204	7.7
TOTAL	2,666	100

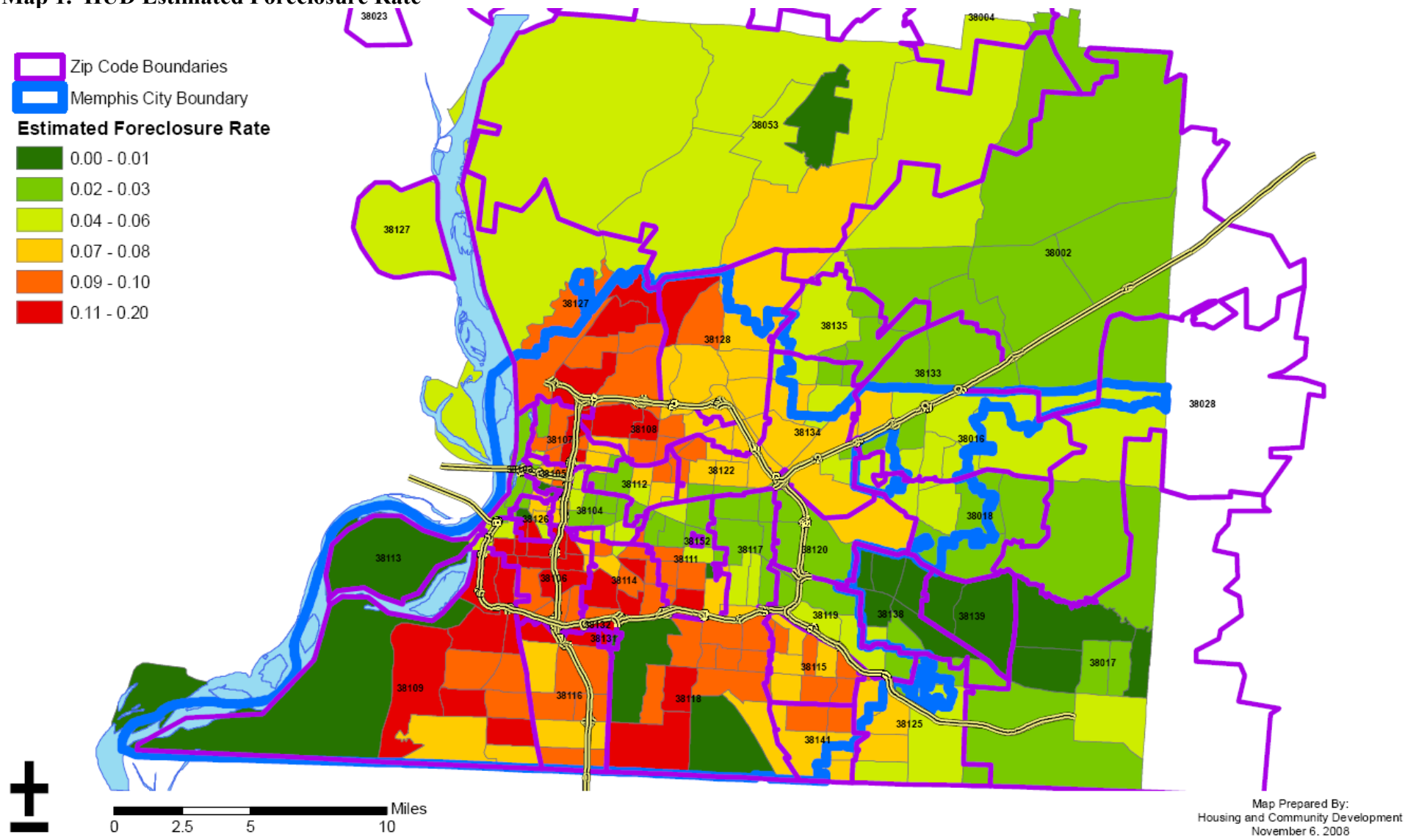
* Through September 30, 2008

Source: Chandler Reports

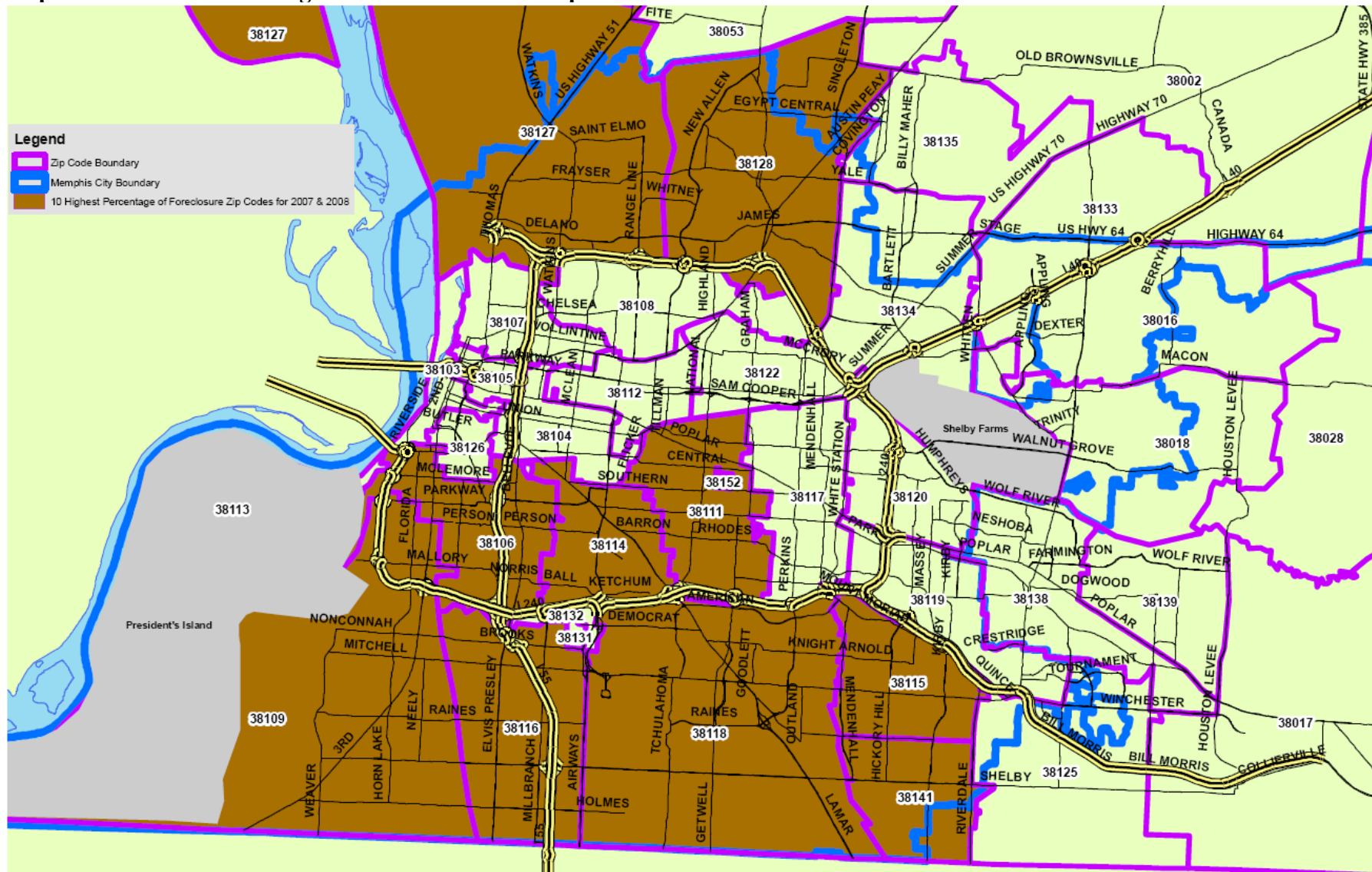
Map 1. depicts HUD estimated foreclosure rates for all of Shelby County and indicates that foreclosure rates in the Urban County are generally low when contrasted against foreclosure rates in the City of Memphis. Map 2. depicts a combination of foreclosure rates by zip code, based on Chandler Reports data indicating the zip codes with the top ten highest foreclosure rates according to CBANA. This map establishes that census tract 38127 is among the top ten census tracts for highest foreclosure rates in Shelby County. Map 3. depicts estimated foreclosure rates and estimated number of foreclosures delineated by census tract boundaries according to HUD. Map 3. indicates all census tracts within or partially within 38127 within the City of Memphis have foreclosure rates greater than 8.12% including some areas with foreclosure rates from 9.92% to 20.00 %. Additionally, while one census tract block group in the entire zip code has less than 26 foreclosures (an area predominantly consisting of Davy Crockett Golf Course and the Loosahatchie River floodplain), the remaining census tracts each have from 101 to 246 foreclosures.

While foreclosures and foreclosure rates appear high in other zip codes, none have numbers or rates to the extent of zip code 38127.

Map 1. HUD Estimated Foreclosure Rate



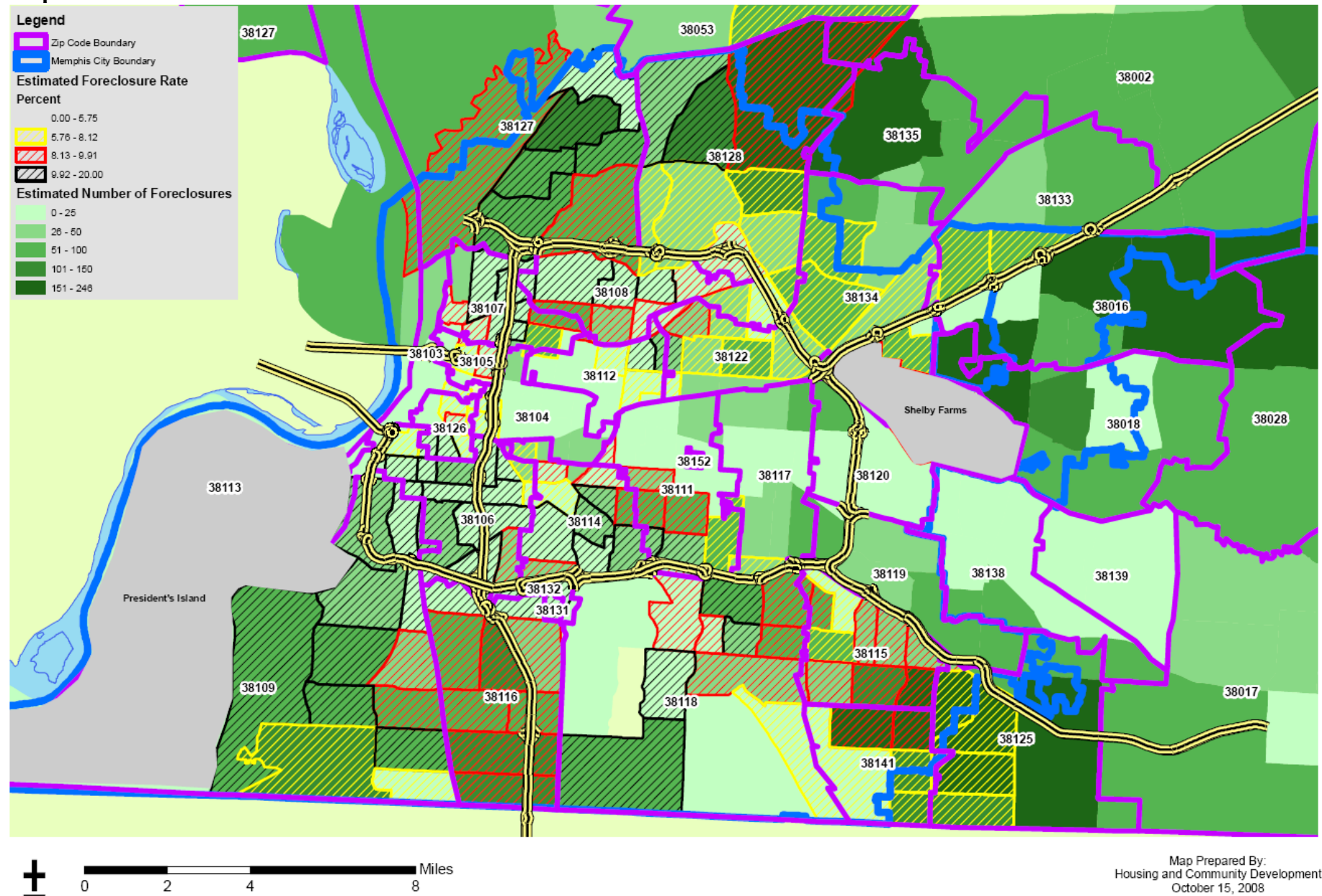
Map 2. 2007 & 2008 Ten Highest Foreclosure Rate Zip Codes



Map Prepared By:
Housing and Community Development
October 15, 2008

Source: CBANA

Map 3. Estimated Foreclosure Rates & Estimated Number of Foreclosures



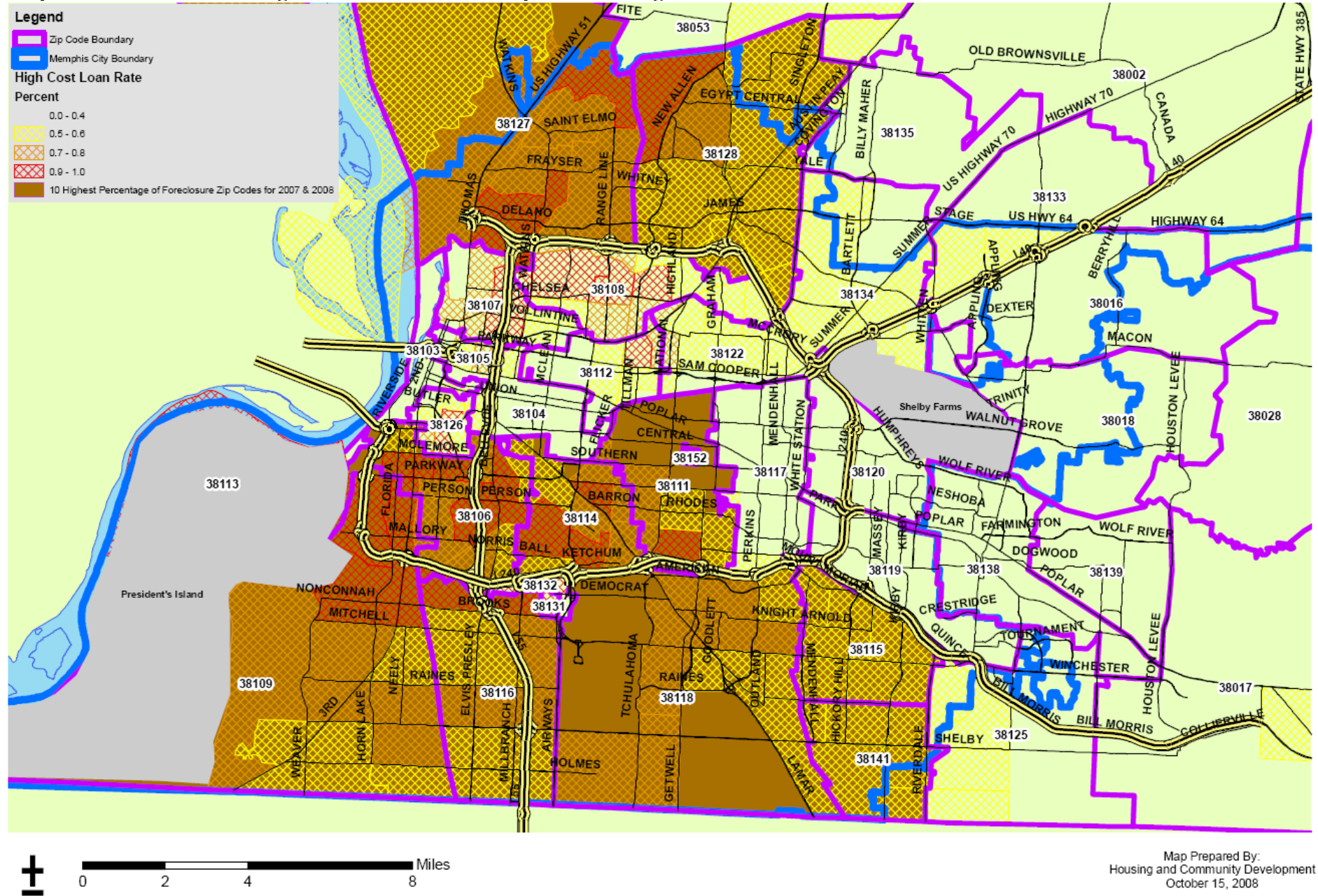
Source: HUD

2. Homes financed with subprime mortgage related loans.

In order to assess areas with homes financed with subprime mortgage related loans, SCDH considered Home Mortgage Disclosure Act data provided by HUD regarding high cost loans.

Map 4. includes the top ten highest foreclosure rates by zip code identified above and also depicts percentages of high cost loans by census tract according to HMDA data provided by HUD. This map indicates that there are large percentages of high cost loans concentrated in 38127 as opposed to the other top foreclosure zip codes.

Map 4. 2007 & 2008 Ten Highest Foreclosure Rate Zip Codes & High Cost Loan Rate



Source: CBANA and HUD

3. Areas at risk for significant rise in the rate of home foreclosures.

In examining areas at risk for a significant rise in the rate of home foreclosures, SCDH considered HUD foreclosure risk score data as well as potential foreclosures (mortgage payments 5 months behind or more) identified by Chandler Reports in October 2008.

Map 5. overlays zip code boundaries upon foreclosure risk scores by census tract from HUD allocation formula data, and potential foreclosures identified by Chandler Reports (properties 5 months behind on mortgage payments as of October 2008). This map indicates that 38127 has high HUD foreclosure risk scores (a score of ten in 38127 within the City of Memphis and 9 within 38127 outside the City of Memphis). Other zip codes also demonstrate such extreme risk scores, but do have as large of a share of potential foreclosures as 38127.

Table 2. depicts potential foreclosures by zip code as of October 2008 in the top ten highest foreclosure rate zip codes.

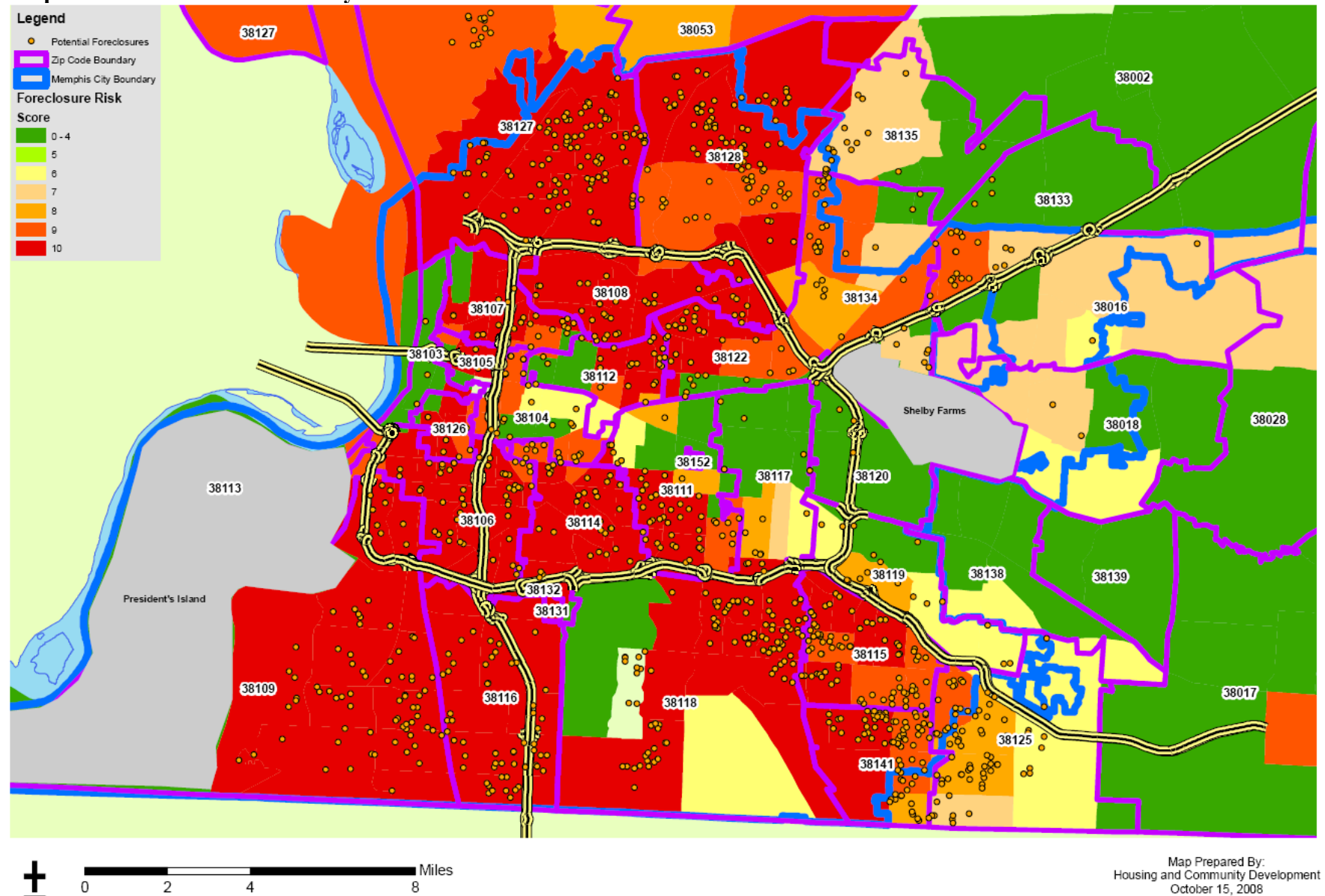
Table 2.

Potential Foreclosures In the Top Ten Highest Foreclosure Rate Zip Codes		
Zip Code	Potential Foreclosures 2008	%
38127	119	15.9
38118	101	13.5
38128	98	13.1
38141	79	10.6
38115	77	10.3
38109	76	10.2
38116	57	7.6
38111	53	7.1
38106	48	6.4
38114	39	5.2
TOTAL	747	100

Source: Chandler Reports

As Table 2. indicates, there are more potential foreclosures in the 38127 zip code than in any other zip code. These potential foreclosures are also identified on Map 5. along with the top ten highest foreclosure rate zip codes. Potential October 2008 foreclosures and the ten highest foreclosure zip codes are shown on Map 6.

Map 5. Foreclosure Risk Score by Census Tract & Potential Foreclosures



Source: Chandler Reports and HUD

Legend

- Potential Foreclosures
- Zip Code Boundary
- Memphis City Boundary
- 10 Highest October 2008 Potential Foreclosures by Zip Code

Map Prepared By:
Housing and Community Development
October 15, 2008

Socio-Economic and Demographic Profiles:

There are 92 census tracts in the top 10 selected ZIP Codes. The following research includes data from “Demographics Now,” an online database that estimates population and socioeconomic factors to reflect current year trends based on U.S. Census data. This research tool allows data to be collected from different sources other than census tracts, and in this case, was utilized to pull demographic information together using the ZIP Codes.

The City of Memphis has a household median income of \$39,483. Of the 10 selected ZIP Codes, the range of household median incomes is between \$23,066 in ZIP Code 38106 to \$64,185 in ZIP Code 38143. Although half the target areas have a higher household median income than the city, these are younger neighborhoods with newer homes that were built in the 1980s and 1990s, which have attracted more affluent residents leaving the inner-city. The more affluent ZIP Code of 38141 is in an area that is actually listed as number four on the top 10 list for future foreclosures. This area has recently begun showing some of the physical changes that signify destabilization of the neighborhood such as vacancies, overgrown yards and deferred maintenance.

Table 3. Household and Housing Data

Zip Code	Median Household Income	Number of Housing Units	Vacant Housing Units	Owner Occupied	Renter Occupied
38127	\$ 32,750	19,714	13%	54%	33%
38109	\$ 33,936	19,759	12%	64%	24%
38128	\$ 43,431	18,316	12%	51%	37%
38118	\$ 40,781	18,925	14%	44%	42%
38106	\$ 23,066	14,307	16%	45%	39%
38141	\$ 64,185	8,833	9%	76%	15%
38115	\$ 46,213	20,213	15%	29%	56%
38114	\$ 26,091	15,079	15%	41%	44%
38116	\$ 39,891	20,405	12%	40%	49%
38111	\$ 38,303	19,952	11%	49%	40%
City of Memphis	\$ 39,483	288,560	13%	46%	41%

Source: Demographics Now, 2007

Note: Shaded areas shows key data lower than the City in Median HH Income and a higher percentage of vacant housing units.

The percentage of vacant housing units is higher than the city’s overall vacancy rate in four of the target areas. High housing vacancy rates may be a result of the loss of population, as noted in the *City of Memphis Consolidated Plan*, suggesting that the “Memphis housing market has a falling demand due to real losses in population and contributes to the oversupply of housing units.” The Consolidated Plan also noted that the city has a significant number of housing units with housing problems such as deferred maintenance and other code violations. Homes with significant problems only add to the burden of householders struggling to pay their mortgages.

B. DISTRIBUTION AND USES OF FUNDS

The following identifies the target area, proposed budget for use of NSP funds, minimum buyer investment, minimum buyer income, and proposed NSP financing options.

Target Area. In selecting a target area, SCDH considered the results analysis of the maps depicted above in accordance with the three stipulated need categories. SCDH visually assessed the data results and selected the 38127 zip code to target distribution of funds to meet the requirements of Section 2301 (c)(2) of HERA. While there are several distressed areas within Shelby County, the 38127 zip code appears to exhibit the greatest need when all three stipulated need categories are considered collectively based upon the considerations described below. Additionally, SCDH reserves the right to award NSP funds to communities that may not be in the areas of greatest need if it is determined that the community will be significantly negatively impacted if NSP funds are not used to immediately stabilize a specific geographic area or neighborhood when vacancies occur in a currently stable neighborhood.

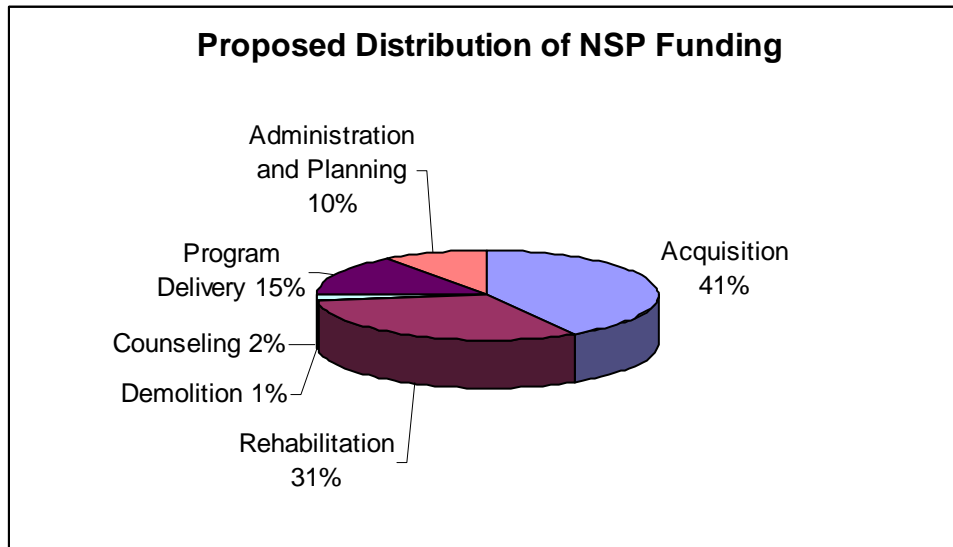
The data analyzed by SCDH indicates that the 38127 zip code is among the top 10 highest zip codes in Shelby County with regard to foreclosure rates. The data also suggests the 38127 zip code includes a greater degree of subprime loans in contrast to the other zip codes. Finally, with respect to concentrations of potential foreclosures and foreclosure risk, the 38127 zip code has been identified by SCDH as being at the greatest risk of a significant rise in the rate of home foreclosures based on analysis of the data depicted above. All NSP funds will be directed toward benefiting low-, moderate, and middle-income (LMMI) households in obtaining affordable housing within the target area.

Proposed NSP Budget. The proposed uses of NSP funds are shown in Table 4. Chart 1. follows depicting how SCDH proposes to distribute NSP funds.

Table 4. Proposed NSP Budget

USE	Amount
Counseling	\$44,400.00
Acquisition	\$1,136,577.00
Demolition	\$17,500.00
Rehabilitation	\$866,055.00
Program Delivery	412,906.00
Administration and Planning	\$275,270.00
TOTAL	\$2,752,708.00

Chart 1.



Performance benchmarks associated with budget NSP activities are described in Section G. These performance benchmarks only reflect accomplishments associated with the initial expenditure of NSP funds. The benchmarks do not reflect additional accomplishments associated with program income received that will be revolved back into the program.

Minimum buyer investment. Each buyer will be required to provide an investment of \$500 or 1% (whichever is less) in each purchase transaction.

Minimum buyer income. The minimum buyer income to be eligible to purchase an NSP assisted unit is \$15,000.00.

LMMI guidelines For Memphis and Shelby County, Tennessee are shown in Table 5. below:

Table 5. Memphis MSA Income Limits

FY 2008 Income Limits for 50% of HUD Area Median Income							
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
person	person	person	person	person	person	person	person
HH	HH	HH	HH	HH	HH	HH	HH
20050	22900	25800	28650	30950	33250	35550	37800
FY 2008 Income Limits for 120% of HUD Area Median Income							
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
person	person	person	person	person	person	person	person
HH	HH	HH	HH	HH	HH	HH	HH
48150	55000	61900	68750	74250	79750	85250	90750

Proposed NSP financing options.

The NSP program will utilize six financing models as listed below in the transfer or sale of properties to qualified buyers. Each buyer's income and capacity will be reviewed to determine which model best meets their need to ensure affordability and long term affordability and ownership ability. Table 6. demonstrates how a sample standard mortgage loan would be structured for sale to a LMMI household utilizing NSP investment and assuming a final appraisal of approximately \$70,000..

Table 6. Sample Sales Cost Itemization

Amount	
Acquisition	\$30,000.00
Rehabilitation	\$25,000.00
Developer's Fee (18%)	\$9,900.00
Construction Management	\$1,250.00
Homebuyer Education Fee	\$1,200.00
Total Sales Price	\$67,350.00

SCDH will use the following financing models:

1. Tennessee Housing Development Agency (THDA) loan programs.

THDA offers three mortgage programs. Currently, interest rates range from 5.8% to 6.8% for fixed rate 30 year loans. In addition down payment and closing cost grants are available for up to 4% of the loan amount on the Great Start program. All loans are FHA or VA insured loans. These loans require high credit standards and will be utilized with customers that meet THDA underwriting guidelines.

All loans will be fixed rate and contain an escrow for taxes and insurance. This option will provide for a high leverage of NSP funding by using THDA funding in conjunction with these loans.

2. Non-THDA loan programs.

There are a wide range of non-THDA loan products the NSP participants will be able to choose from. These will include FHA and VA loans as well as proprietary loan products that local lenders may offer. SCDH will also be able to access financing through Neighborhood Housing Services of America via the Memphis affiliate of Neighborworks America, United Housing, Inc.

These loans may be underwritten to slightly lower credit standards than THDA and they will also allow for some blemished credit characteristics and thus, have slightly higher interest rates. We will cap the rate at 2% above the THDA Great Start Program which is currently 6.8%. This cap may increase or decrease based upon any changes THDA makes to the Great Start Program.

All loans will be fixed rate and contain an escrow for taxes and insurance. This option will allow for significant leverage of private financing for the expansion of the program.

3. Lease-purchase.

The lease-purchase option will be utilized by SCDH's partners to assist in providing homeownership opportunities. NSP partners will have the option to offer properties under a lease purchase arrangement. In this transaction, the participant will underwrite a customers' credit situation and if there are credit issues that can be resolved within 12 to 18 months a lease with an option to purchase can be created. During the lease-purchase period the customer will work toward resolution of financial issues with support of counseling and training from the NSP partner. In order to maximize the lease-purchase option, NSP partners will establish an escrow account for each prospective buyer. Funds in this account will be used for downpayment and closing costs when securing a mortgage. This mechanism will be a key option for those below 50% of the area median income.

Upon resolution of the issues identified, the customer will acquire the property using option 1 or 2 above. As in the above option, this will allow for a leverage of private investment for program expansion.

4. The "Habitat for Humanity" 0% loan model.

Each NSP partner will also have the option of completing the sales transaction using the Habitat for Humanity 0% loan model.

This will offer an option for permanent financing for customers that do not fit the underwriting criteria in options 1 and 2 described above and cannot complete a lease-purchase option in a timely manner. Thus, this type of mortgage can be underwritten with more lenient criteria than traditional lenders. NSP participants will structure and agree upon underwriting criteria for this loan program that most effectively meet the requirements of the Memphis and Shelby County market.

This option will also allow some lower income customers to qualify to purchase a home that would not otherwise have access to private financing. Under this option, the mortgage would be carried by the NSP partner.

This option will not leverage private financing for the program.

5. Rent.

This option will allow the NSP participant to acquire properties for long term lease. Some neighborhoods or properties may not be appropriate for homeownership. This option will allow SCDH's partners to acquire these properties, renovate them, and hold them in inventory for the required period of time.

This will provide for the long term provision of affordable housing within the targeted neighborhood but will not leverage private financing.

6. Second mortgage financing.

In each of the sales transactions noted above, second mortgage financing (soft seconds) may be an integral part of the sale and may be necessary to secure the loan in accordance with NSP regulations.

Program Income.

Any program income received before July 30, 2013 may be retained by Shelby County and used to carry out NSP activities.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of “blighted structure”.

For NSP purposes, SCDH has developed a definition for "blighted structure" in the context of State of Tennessee Law (Tennessee Code Annotated 13-21-104. Conditions rendering structure unfit for human occupation or use). SCDH's definition of "blighted structure is as follows:

"A structure that is unfit for human occupation or use where conditions exist that are dangerous or injurious to the health, safety, or morals of the occupants of such structure, or the occupants of neighboring structures or other residents. Such conditions may include the following (without limiting the generality of the foregoing): defects therein increasing the hazards of fire, accident, or other calamities; lack of adequate ventilation, light, or sanitary facilities; dilapidation; disrepair; structural defects; or uncleanness."

(2) Definition of “affordable rents.”

For NSP purposes, SCDH defines "affordable rents" as the maximum HOME rent limits per 24 CFR Part 92.952 which are the lesser of:

1. The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111; or
2. A rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

(3) Continued affordability for NSP assisted housing.

SCDH will ensure continued affordability by adhering to HOME affordability requirements as follows:

1. Continued affordability in rental housing.

Rental Housing receiving NSP assistance will adhere to the affordability requirements established under § 92.252 of the HOME Final Rule. The NSP-assisted rental units must meet the affordability requirements specified in Table 7. below, beginning after project completion. The affordability requirements' apply without regard to the term of any loan or mortgage or transfer of ownership. They will be imposed by deed restriction, covenants running with the land, or other mechanisms approved by HUD, except that the affordability restrictions may transfer upon foreclosure or in lieu of foreclosure. SCDH may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability. The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains and ownership interest in the project or property.

Table 7. Rental Affordability Requirements

Rental Housing Activity	Minimum period of affordability in years
Rehabilitation or acquisition of existing housing per unit amount of NSP funds; under \$15,000	5
\$15,000 to \$40,000	10
Over 40 or rehabilitation involving refinancing	15
New construction or acquisition of newly constructed housing	20

2. Continued affordability in homeownership housing.

Homeownership housing receiving NSP assistance will adhere to the affordability requirements established under § 92.254 of the HOME Final Rule. NSP-assisted homeownership housing must meet the affordability requirements for not less than the applicable period specified in the Table 8. below. The per units amount of NSP and the affordability period each triggers are described after the table.

Table 8. Homeownership Affordability Requirements

Homeownership assistance NSP amount per-unit	Minimum period of affordability in years
Under \$15,000	5
\$15,000 to \$40,000	15
Over \$40,000	15

Resale and recapture. To ensure affordability, SCDH will impose resale or recapture requirements on NSP assisted units. SCDH will establish the resale or recapture requirements that comply with the standards of § 92.254

Resale. The resale requirements will ensure, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability, that the housing is made available for subsequent purchase only to a buyer whose family qualifies as a low-income family and will use the property as its principal residence. Resale requirements will also ensure that the price at resale provides the original NSP-assisted owner a fair return on investment (including the homeowner's original investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low- middle- and, moderate-income homebuyers. The period of affordability will be based on the total amount of NSP funds invested in the housing.

SCDH will use deed restrictions, covenants running with the land, or other similar mechanisms to impose the resale requirements. The affordability restrictions may terminate upon occurrence of any of the following termination events: foreclosure, transfer in lieu of foreclosure or assignment of an FHA insured mortgage to HUD. SCDH may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure to preserve affordability. The affordability restrictions will be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, obtains an ownership interest in the housing.

Recapture. Recapture provisions will ensure that SCDH recaptures all or a portion of NSP assistance to the homebuyers, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability.

If a property is resold or foreclosed upon during the designated time period to a person who is not an eligible low, moderate-, or middle-income purchaser under the provisions of the NSP regulations, Shelby County will recapture the original amount of NSP funds invested from the net proceeds of the sale. However, if net proceeds are not sufficient to recapture the full NSP investment plus enable the homeowner to recover any personal funds invested in the downpayment, principal payments, and capital improvements, SCDH may allow the recaptured NSP funds to be reduced on a pro rata basis as provided under § 92.254(a)(5) of the HOME Final Rule, or subsequent HUD regulations. All NSP contracts and restrictive covenants will contain safe harbor language approved by HUD.

Prior to the sale of a NSP-assisted unit to homebuyer, SCDH will require complete documentation regarding eligibility of the applicant, evidence that the property will constitute their principal residence, and copies of the instruments relating to the resale of the property providing it will remain affordable for the designated number of years and providing for the recapture of NSP funds by SCDH if the property is not sold to an eligible low-income purchaser.

(4) Housing rehabilitation standards that will apply to NSP assisted activities.

Housing property standards found at § 92.254(a)(5) in the HOME Final Rule will apply to housing rehabilitation receiving NSP assistance. Housing rehabilitated with NSP funds will meet the housing quality standards in 24 CFR 982.401; all applicable local codes; SCDH's written rehabilitation standards for its Housing Rehabilitation program that ensure housing receiving SCDH assistance is decent, safe, and sanitary; ordinances; and zoning ordinances at the time of project completion. Wherever feasible, rehabilitation activities will include improvements to increase the energy efficiency and conservation of NSP units.

D. LOW INCOME TARGETING

Estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$688,177.00.

SCDH estimates it will use at least 25% of its NSP allocation (\$688,177.00) to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income. Based on the current housing market conditions in 38127 and consultation with local nonprofits (including, Frayser Community Development Corporation, United Housing, Inc. and Habitat for Humanity), it is believed that a majority of customers between 30% and 50% of area median income may actually be able to purchase a home in the target area. However, rental activities will be utilized by SCDH's partners if necessary to meet the low income targeting requirements. These demolished units will enter the market as either rental or very-low income housing.

E. ACQUISITIONS & RELOCATION

SCDH does not expect to convert any units. SCDH reasonably expects to demolish 5 vacant blighted units for the creation of 5 newly constructed housing opportunities to be made available for households whose income does not exceed 50 percent of area median.

F. PUBLIC COMMENT

SCDH made available a draft copy of this NSP proposal for public review and comment for the fifteen day period from November 11, 2008 through November 25, 2008.

Figure 1. is a copy of the notice to the public regarding the review and comment period appeared on Page F3 of the *Commercial Appeal* on November 11, 2008:

Figure 1. Public Notice

Shelby County Department of Housing Neighborhood Stabilization Program Amendment to Shelby County Annual Plan	Prior to submission of the NSP substantial amendment and application, Shelby County is required to make the amendment available to the public for review and comment for a period of 15 days. The amendment must also be available for review by the public on the Shelby County Government main website during this 15 day period. This 15 day comment period officially runs from November 11, 2008 to November 26, 2008.
Certified as an "Urban County" and a Community Development Block Grant Entitlement (CDBG) Community by the U.S. Department of Housing and Urban Development (HUD), Shelby County Government is being awarded \$2,752,708.00 in Neighborhood Stabilization Funds as allocated under Title III of the Housing and Economic Recovery Act (HERA) of 2008.	The Shelby County NSP amendment is now available for comment from any interested party and may be viewed at: the Shelby County Website: www.shelbycountyttn.gov , and the following branches of the Memphis and Shelby County Library system: Main, Arlington, Bartlett, Collierville, Millington, and Germantown.
As prescribed by HERA and HUD, Shelby County is to use these funds to buy vacant foreclosed properties and make the properties available as affordable housing for individual households making 120% or less of the area median income by household size. Additionally, funds are to be targeted to an area(s) of the community experiencing high numbers of foreclosures, high percentages of high cost mortgage loans, and projected high incidence of foreclosures.	Individuals may also view a copy of the NSP Amendment to the Consolidated/Annual Plan at the Shelby County Department of Housing, 1075 Mullins Station Road, Memphis, Tennessee 38134, between the hours of 8:00 a.m. and 4:30 p.m. Monday through Friday.
Acceptance of these funds by Shelby County requires a substantial amendment to the current Consolidated/Annual Action Plan that governs the use of Shelby County's entitlement programs such as the Community Development Block Grant and the HOME Grant Programs.	For more information, please call Mr. Scott Walkup or Mr. Jim Vazquez at the Department of Housing at (901)379-7100.
	A C Wharton, Jr. Mayor
	Attest: Jim Vazquez, Administrator

The draft NSP proposal was made available during the review and comment period on Shelby County's website (www.shelbycountyttn.gov). Copies of the proposal were also available for review at SCDH's office, the Memphis and Shelby County Main Library and Bartlett Branch Library, the Arlington Library, the Collierville Library, the

Germantown Library, and the Millington Library. During the 15 day public review and comment period, SCDH received three comments. The three comments along with SCDH's response are shown below.

1. Comment via e-mail from Steve Lockwood, Executive Director of Frayser Community Development Corporation, on November 13, 2008:

"Seems good to me. I was wondering why the figures in the budget don't match the figures in the individual categories- i.e. NSP Rehab figures on p. 23 don't match. I don't mind, I just thought that it could cause a delay with HUD.

Thanks,
Steve"

Response via e-mail by Scott Walkup on November 14, 2008:

"Steve:

Thanks for calling this discrepancy to our attention. The budgeted amount for Rehabilitation (\$866,055.00) in Table 3 is the correct amount. The amount you identified for Rehabilitation on page 23 is incorrect. This was an editorial mistake and also applies to the amount for Acquisition on page 22 and the amount for Counseling on page 26. In short, the budgeted amounts identified in Table 3 reflect Shelby County Department of Housing's intended proposed budget. The incorrect amounts will be revised accordingly in the final proposal to be submitted to HUD from SCDH.

Thank you,

Scott Walkup
Shelby County Department of Housing
(901) 379-7110"

2. Comment via e-mail from Tim Bolding, Executive Director of United Housing, Inc., on November 13, 2008:

"This looks good. Thanks. Tim Bolding"

Response via e-mail by Scott Walkup on November 24, 2008:

"Tim:

We appreciate your input and will include your comment in the final NSP draft to be submitted to HUD."

Thank you,

Scott Walkup
Shelby County Department of Housing
(901) 379-7110"

3. Comment via e-mail from Sutton Mora Hayes, Executive Director of Cooper-Young Development Corporation, on November 21, 2008:

"Hi, Guys –

I looked over this and saw pretty much what I expected to see. Hope it gets accepted and we can move from there.

S."

Response via e-mail by Scott Walkup on November 24, 2008:

"Sutton:

We appreciate your input and will include your comment in the final NSP draft to be submitted to HUD."

Thank you,

Scott Walkup
Shelby County Department of Housing
(901) 379-7110"

G. NSP INFORMATION BY ACTIVITY

Table 9. provides a summary for each NSP activity proposed by SCDH. More detailed information for each activity as requested by HUD follows the table.

Table 9. Summary of Proposed NSP Activities

Activity	Total Budgeted	Estimated Cost/Unit *	Units for below 50% AMI	Units for 50-80% AMI	Units for 80%-120% of AMI	Total Units/Households
Acquisition	\$1,136,577	\$30,718	10	12	15	37
Rehabilitation	\$866,055	\$23,406	5	12	15	32
Demolition	\$17,500	\$3,500	5	0	0	5
Counseling	\$44,400	\$1,200	10	12	15	37
Program Delivery	\$412,906	\$11,159	10	12	15	37
Administration & Planning	\$275,270	n/a	n/a	n/a	n/a	n/a
Financing Mechanisms	\$0	n/a	10	12	15	37
TOTAL	\$2,752,708	\$69,983	10	12	15	37

* Estimated cost per unit is a budgeted average and are not considered minimum or maximum allowable amounts. Values shown in Table 6. illustrate an example, and are not intended to mirror any values in Table 9.

(1) Activity Name: **NSP Acquisition**

(2) Activity Type: NSP eligible use: §2301 (c)(3)(A) and (B) Purchase homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop such homes and properties.

CDBG eligible activity: 24 CFR 570.201(a) Acquisition.

(3) National Objective: This activity meets the National Objective of benefiting low, moderate, and middle income persons.

(4) Projected Start Date: March 1, 2009

(5) Projected End Date: July 30, 2013

(6) Responsible Organization: The Shelby County Department of Housing will be responsible for administering all aspects of this activity. Contact information is listed below.

Shelby County Department of Housing
1075 Mullins Station Road
Memphis, Tennessee 38134

Contact: Jim Vazquez, Administrator, Shelby County Department of Housing

Phone: (901) 379-7102

Email: jim.vazquez@shelbycountyttn.gov

While being responsible for administering the activity, SCDH will also subcontract with private and/or nonprofit developers to direct acquisition activities during the life of the NSP grant.

(7) Location Description: This activity will be targeted to the 38127 zip code. Additionally, SCDH reserves the right to award NSP funds to communities that may not be in the areas of greatest need if it is determined that the community will be significantly negatively impacted if NSP funds are not used to immediately stabilize a specific geographic area or neighborhood when vacancies occur in a currently stable neighborhood.

(8) Activity Description and Requirements: The areas of greatest need this activity addresses include home foreclosures and areas at risk for significant rise in the rate of home foreclosures. This activity is expected to benefit income-qualified persons by acquiring and rehabilitating vacant foreclosed properties to be used in the rehabilitation or construction of housing to be made available to income qualified persons. Funds for this activity will be used as necessary and appropriate to meet the low income housing requirement for those below 50% of area median income. SCDH will not use eminent domain to implement this activity.

While SCDH will be responsible for implementing this activity, SCDH will also issue requests for proposals to identify partners with the capacity to assist with this activity, in addition to subsequent activities associated with making these available to income eligible beneficiaries.

Tenure of beneficiaries for this activity and duration of terms of assistance will vary depending upon market conditions and effective homebuyer demand. If sale of a unit acquired under this activity is not practical, lease/purchase or rent of the unit may result. The duration or term of the assistance under this activity will also vary depending upon market conditions and effective homebuyer demand.

Continued affordability of units resulting from this activity will be ensured as described in Section 3 above.

SCDH will adhere to the 15% aggregate discount rate in implementing this activity. Interest rate ranges are not applicable to this activity.

(9) Total Budget: The budgeted amount for this activity is \$1,136,577.00 in NSP funds. No local funds are anticipated for this activity. Any program income generated by this activity will be reprogrammed for the same use through the close-out of the NSP grant currently set to expire on July 30, 2013.

(10) Performance Measures: SCDH anticipates acquiring 37 homes including 10 units to be acquired for the income levels of households that are 50 percent of area median income and below, 12 units for those at 51-80 percent, and 15 units for those at 81-120 percent.

(1) Activity Name: **NSP Rehabilitation**

(2) Activity Type: NSP eligible use: §2301 (c)(3)(A) and (B) Rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop such homes and properties.

CDBG eligible activity: 24 CFR 570.202 Eligible rehabilitation and preservation activities.

(3) National Objective: This activity meets the National Objective of benefiting low, moderate, and middle income persons.

(4) Projected Start Date: May 1, 2009

(5) Projected End Date: July 30, 2013

(6) Responsible Organization: The Shelby County Department of Housing will be responsible for administering all aspects of this activity. Contact information is listed below.

Shelby County Department of Housing
1075 Mullins Station Road
Memphis, Tennessee 38134

Contact: Jim Vazquez, Administrator, Shelby County Department of Housing

Phone: (901) 379-7102

Email: jim.vazquez@shelbycountyttn.gov

(7) Location Description: This activity will be targeted to the 38127 zip code. Additionally, SCDH reserves the right to award NSP funds to communities that may not be in the areas of greatest need if it is determined that the community will be significantly negatively impacted if NSP funds are not used to immediately stabilize a specific geographic area or neighborhood when vacancies occur in a currently stable neighborhood.

(8) Activity Description and Requirements: The areas of greatest need this activity addresses include home foreclosures and areas at risk for significant rise in the rate of home foreclosures. This activity is expected to benefit LMMI persons by rehabilitating vacant foreclosed properties acquired with NSP funds to be made available to income qualified persons. Funds for this activity will be used as necessary and appropriate to meet the low income housing requirement for those below 50% of area median income.

This activity will be directly associated with NSP acquired units. In the event that NSP eligible properties are acquired with other funds between December 10, 2008 and July 30, 2013, the funds may also be used in conjunction with those properties.

While SCDH will be responsible for implementing this activity, SCDH will also issue requests for proposals to identify partners with the capacity to assist with this activity, in addition to subsequent activities associated with making these available to income eligible beneficiaries.

Tenure of beneficiaries for this activity and duration of terms of assistance will vary depending upon market conditions and effective homebuyer demand. If sale of a unit rehabilitated under this activity is not practical, lease/purchase or rent of the unit may result. The duration or term of the assistance under this activity will also vary depending upon market conditions and effective homebuyer demand.

Continued affordability of units resulting from this activity will be ensured as described in Section 3 above.

Since this is not an acquisition activity, the discount rate is not applicable.

Mortgage interest rates for rehabilitated homes sold to LMMI buyers will range from 0% to 8.8 as outlined in the financing options described in this amendment.

(9) Total Budget: The budgeted amount for this activity is \$866,055.00 in NSP funds. No local funds are anticipated for this activity. Any program income generated by this activity will be reprogrammed for the same use through the close-out of the NSP grant currently set to expire on July 30, 2013.

(10) Performance Measures: SCDH anticipates acquiring 37 homes including 5 units to be acquired for the income levels of households that are 50 percent of area median income and below, 12 units for those at 51-80 percent, and 15 units for those at 81-120 percent.

(1) Activity Name: **NSP Demolition**

(2) Activity Type: NSP eligible use: §2301 (c)(3)(D) Demolish blighted structures.

CDBG eligible activity: 24 CFR 570.201(d) Clearance activities.

(3) National Objective: This activity meets the National Objective of benefiting low, moderate, and middle income persons.

(4) Projected Start Date: May 1, 2009

(5) Projected End Date: July 30, 2013

(6) Responsible Organization: The Shelby County Department of Housing will be responsible for administering all aspects of this activity. Contact information is listed below.

Shelby County Department of Housing

1075 Mullins Station Road

Memphis, Tennessee 38134

Contact: Jim Vazquez, Administrator, Shelby County Department of Housing

Phone: (901) 379-7102

Email: jim.vazquez@shelbycountyttn.gov

(7) Location Description: This activity will be targeted to the 38127 zip code. Additionally, SCDH reserves the right to award NSP funds to communities that may not be in the areas of greatest need if it is determined that the community will be significantly negatively impacted if NSP funds are not used to immediately stabilize a specific geographic area or neighborhood when a blighted structure occurs in a currently stable neighborhood.

(8) Activity Description and Requirements: The areas of greatest need this activity addresses include home foreclosures and areas at risk for significant rise in the rate of home foreclosures. This activity is expected to benefit LMMI persons by removing blighted structures and clearing associated sites with NSP funds to create new housing opportunities for income qualified persons. Funds for this activity will be used as necessary and appropriate to meet the low income housing requirement for those below 50% of area median income.

This activity will only be used when an acquired structure meets the local definition of a blighted structure as defined in this amendment. SCDH expects demolition activity to be minimal. The average local cost of demolition at this time is approximately \$3,500 per unit in the target area.

While SCDH will be responsible for implementing this activity, SCDH may issue requests for proposals to identify partners with the capacity to assist with this activity, in addition to subsequent activities associated with making these available to income eligible beneficiaries.

Tenure of beneficiaries for this activity and duration of terms of assistance will vary depending upon market conditions and effective homebuyer demand. If sale of a unit created under this activity is not practical, lease/purchase or rent of the unit may result. The duration or term of the assistance under this activity will also vary depending upon market conditions and effective homebuyer demand.

Continued affordability of units resulting from this activity will be ensured as described in Section 3 above. Since this is not an acquisition activity, the discount rate is not applicable.

Interest rates for new homes sold to LMMI buyers as an outcome of this activity will range from 0% to 8.8 as outlined in the financing options described in this amendment.

(9) Total Budget: The budgeted amount for this activity is \$17,500.00 in NSP funds. Any program income generated by this activity will be reprogrammed for the same use through the close-out of the NSP grant currently set to expire on July 30, 2013.

(10) Performance Measures: SCDH anticipates new construction of 5 homes to benefit buyers that are 50 percent of area median income and below. Partners will be required to immediately develop new NSP housing upon demolition of any unit.

(1) Activity Name: **NSP Beneficiary Counseling**

(2) Activity Type: NSP eligible use: §2301 (c)(3)(B) and (E) Redevelop demolished or vacant properties.

CDBG eligible activity: 24 CFR 570.201 (e) Public services.

(3) National Objective: This activity meets the National Objective of benefiting low, moderate, and middle income persons.

(4) Projected Start Date: May 1, 2008

(5) Projected End Date: July 30, 2013

(6) Responsible Organization: The Shelby County Department of Housing will be responsible for administering all aspects of this activity. Contact information is listed below.

Shelby County Department of Housing
1075 Mullins Station Road
Memphis, Tennessee 38134

Contact: Jim Vazquez, Administrator, Shelby County Department of Housing

Phone: (901) 379-7102

Email: jim.vazquez@shelbycountyttn.gov

(7) Location Description: This activity will be targeted specifically to individuals buying or renting an NSP assisted unit in the 38127 zip code. Additionally, SCDH reserves the right to conduct this activity if NSP assistance is directed to other communities that may not be in the areas of greatest need if it is determined that the community will be significantly negatively impacted if NSP funds are not use to immediately stabilize a specific geographic area or neighborhood.

(8) Activity Description: The areas of greatest need this activity addresses include home foreclosures and areas at risk for significant rise in the rate of home foreclosures. This activity will provide funds necessary for housing counseling and any associated financial counseling for program participants.

Beneficiaries may include both rental and homeownership households. Continued affordability of units resulting from this activity, and the discount rate, and interest rates are not directly applicable to this activity.

(9) Total Budget: The budgeted amount for this activity is \$44,400.00 in NSP funds. Any program income generated by this activity will be reprogrammed for the same use through the close-out of the NSP grant currently set to expire on July 30, 2013.

(10) Performance Measures: SCDH anticipates providing counseling to 10 households with income levels that are 50 percent of area median income and below, 12 households with income levels at 51-80 percent of area median income, and 15 households with income levels at 81-120 percent of area median income.

(1) Activity Name: **NSP Program Delivery**

(2) Activity Type: NSP eligible use: §2301 (c)(3)(A), (B), (D), and (E) Purchase and Rehabilitation.

CDBG eligible activity: 24 CFR 570.201 (a)(b)(n) and 206 Program administrative and planning costs.

(3) National Objective: This activity meets the National Objective of benefiting low, moderate, and middle income persons.

(4) Projected Start Date: October 1, 2008

(5) Projected End Date: July 30, 2013.

(6) Responsible Organization: The Shelby County Department of Housing will be responsible for administering all aspects of this activity. Contact information is listed below.

Shelby County Department of Housing

1075 Mullins Station Road

Memphis, Tennessee 38134

Contact: Jim Vazquez, Administrator, Shelby County Department of Housing

Phone: (901) 379-7102

Email: jim.vazquez@shelbycountyttn.gov

(7) Location Description: This activity will be targeted specifically to NSP assisted units in the 38127 zip code. Additionally, SCDH reserves the right to award NSP funds to communities that may not be in the areas of greatest need if it is determined that the community will be significantly negatively impacted if NSP funds are not used to immediately stabilize a specific geographic area or neighborhood.

(8) Activity Description: The areas of greatest need this activity addresses include home foreclosures and areas at risk for significant rise in the rate of home foreclosures. This activity will provide funds necessary for SCDH to implement the NSP activities and includes, but is not limited to appraisals, property inspections, development of lead hazard reduction and rehabilitation work specifications, lead-based paint risk assessments, monitoring construction and rehabilitation activity, and other such costs typically associated with construction and rehabilitation of housing.

Tenure of beneficiaries, continued affordability of units resulting from this activity, and the discount rate, and interest rates are not directly applicable to this activity.

(9) Total Budget: The budgeted amount for this activity is \$412,906.00 in NSP funds. Any program income generated by this activity will be reprogrammed for the same use through the close-out of the NSP grant currently set to expire on July 30, 2013.

(10) Performance Measures: There are no performance measures associated with this activity. This activity is directly associated with providing service delivery activities to meet the performance measures identified under the other NSP activities.

(1) Activity Name: **NSP Administration and Planning Costs**

(2) Activity Type: NSP eligible use: §2301 (c)(3) Administration and Planning Costs.

CDBG eligible activity: 24 CFR 570.205 and 206 Program administrative and planning costs.

(3) National Objective: This activity meets the National Objective of benefiting low, moderate, and middle income persons.

(4) Projected Start Date: October 1, 2008

(5) Projected End Date: July 30, 2013

(6) Responsible Organization: The Shelby County Department of Housing will be responsible for administering all aspects of this activity. Contact information is listed below.

Shelby County Department of Housing
1075 Mullins Station Road
Memphis, Tennessee 38134

Contact: Jim Vazquez, Administrator, Shelby County Department of Housing

Phone: (901) 379-7102

Email: jim.vazquez@shelbycountyttn.gov

(7) Location Description: This activity will be targeted to administrative and planning activities associated with NSP projects in targeted areas. Additionally, SCDH reserves the right to award NSP funds to communities that may not be in the areas of greatest need

if it is determined that the community will be significantly negatively impacted if NSP funds are not used to immediately stabilize a specific geographic area or neighborhood.

(8) Activity Description: The areas of greatest need this activity addresses include home foreclosures and areas at risk for significant rise in the rate of home foreclosures. This activity will provide funds necessary for SCDH to administer the NSP acquisition, rehabilitation, demolition, and counseling activities.

Tenure of beneficiaries, continued affordability of units resulting from this activity, and the discount rate, and interest rates are not applicable to this activity.

(9) Total Budget: The budgeted amount for this activity is \$275,270.00 in NSP funds. These funds will be obligated for use by the Department of Housing through July 30, 2013. Up to 10% of program income generated under NSP activities will be reprogrammed for the same administrative use through the close-out of the NSP grant currently set to expire on July 30, 2013.

(10) Performance Measures: There are no performance measures associated with this activity.

(1) Activity Name: **NSP Financing Mechanisms**

(2) Activity Type: NSP eligible use: §2301 (c)(3)(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties.

CDBG eligible activity: As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective: This activity meets the National Objective of benefiting low, moderate, and middle income persons.

(4) Projected Start Date: May 1, 2009

(5) Projected End Date: July 30, 2013

(6) Responsible Organization: The Shelby County Department of Housing will be responsible for administering all aspects of this activity. Contact information is listed below.

Shelby County Department of Housing
1075 Mullins Station Road
Memphis, Tennessee 38134

Contact: Jim Vazquez, Administrator, Shelby County Department of Housing

Phone: (901) 379-7102

Email: jim.vazquez@shelbycountyttn.gov

(7) Location Description: This activity will be targeted to the 38127 zip code. Additionally, SCDH reserves the right to award NSP funds to communities that may not be in the areas of greatest need if it is determined that the community will be significantly negatively impacted if NSP funds are not used to immediately stabilize a specific geographic area or neighborhood.

(8) Activity Description: The areas of greatest need this activity addresses include home foreclosures and areas at risk for significant rise in the rate of home foreclosures. This activity will have mechanisms necessary for LMMI buyers to purchase NSP units.

Tenure of beneficiaries for this activity and duration of terms of assistance will vary depending upon market conditions and effective homebuyer demand. If sale of a unit created under this activity is not practical, lease/purchase or rent of the unit may result. The duration or term of the assistance under this activity will also vary depending upon market conditions and effective homebuyer demand.

Continued affordability of units resulting from this activity will be ensured as described in Section B.

Since this is not an acquisition activity, the discount rate is not applicable. Interest rates will range from 0% to 8.8% as described in Section B.

NSP financing mechanisms are described in detail in Section B and include the following:

1. Tennessee Housing Development Agency (THDA) Loan programs.
2. Non-THDA loan programs
3. Lease-Purchase
4. The "Habitat for Humanity" 0% loan model
5. Long-term rental
6. Second mortgage financing.

(9) Total Budget: No NSP funds will be used for this activity, but SCDH anticipates leveraging \$900,000 in permanent mortgage financing for this activity.

(10) Performance Measures: SCDH anticipates assisting 10 households with income levels that are 50 percent of area median income and below, 12 households with income levels at 51-80 percent of area median income, and 15 households with income levels at 81-120 percent of area median income.

CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds \leq 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.



Signature/Authorized Official

Mayor of Shelby County, Tennessee
Title

11/21/2008

Date

APPROVED AS TO FORM
AND LEGALITY:


Contract Administration/
Assistant County Attorney

NSP Substantial Amendment Checklist

For the purposes of expediting review, HUD asks that applicants submit the following checklist along with the NSP Substantial Amendment and SF-424.

Contents of an NSP Action Plan Substantial Amendment

Jurisdiction(s): <u>Shelby County, Tennessee</u> (identify lead entity in case of joint agreements)	NSP Contact Person: <u>Scott Walkup</u> Address: <u>Shelby County Department of Housing</u> <u>1075 Mullins Station Road</u> <u>Memphis, TN 38134</u>
Jurisdiction Web Address: <u>www.shelbycountyttn.gov</u> (URL where NSP Substantial Amendment materials are posted)	Telephone: <u>(901) 379-7110</u> Fax: <u>(901) 379-7129</u> Email: <u>scott.walkup@shelbycountyttn.gov</u>

The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

A. AREAS OF GREATEST NEED

Does the submission include summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction?

Yes ☒ No ☐ Verification found on page 6 - 16.

B. DISTRIBUTION AND USES OF FUNDS

Does the submission contain a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures?

Yes ☒ No ☐ Verification found on page 17 - 21.

Note: The grantee's narrative must address the three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

C. DEFINITIONS AND DESCRIPTIONS

For the purposes of the NSP, do the narratives include:

- a definition of "blighted structure" in the context of state or local law,
Yes ☒ No ☐ Verification found on page 21.
- a definition of "affordable rents,"
Yes ☒ No ☐ Verification found on page 21.
- a description of how the grantee will ensure continued affordability for NSP assisted housing,
Yes ☒ No ☐ Verification found on page 22 - 24.

- a description of housing rehabilitation standards that will apply to NSP assisted activities?
Yes ☒ No ☐. Verification found on page 24.

D. INFORMATION BY ACTIVITY

Does the submission contain information by activity describing how the grantee will use the funds, identifying:

- eligible use of funds under NSP,
Yes ☒ No ☐. Verification found on page 28 - 37.
- correlated eligible activity under CDBG,
Yes ☒ No ☐. Verification found on page 28 - 37.
- the areas of greatest need addressed by the activity or activities,
Yes ☒ No ☐. Verification found on page 28 - 37.
- expected benefit to income-qualified persons or households or areas,
Yes ☒ No ☐. Verification found on page 28 - 37.
- appropriate performance measures for the activity,
Yes ☒ No ☐. Verification found on page 28 - 37.
- amount of funds budgeted for the activity,
Yes ☒ No ☐. Verification found on page 28 - 37.
- the name, location and contact information for the entity that will carry out the activity,
Yes ☒ No ☐. Verification found on page 28 - 37.
- expected start and end dates of the activity?
Yes ☒ No ☐. Verification found on page 28 - 37.

E. SPECIFIC ACTIVITY REQUIREMENTS

Does each activity narrative describe the general terms under which assistance will be provided, including:

If the activity includes acquisition of real property,

- the discount required for acquisition of foreclosed upon properties,
Yes ☒ No ☐. Verification found on page 29.

If the activity provides financing,

- the range of interest rates (if any),
Yes ☒ No ☐. Verification found on page 37.

If the activity provides housing,

- duration or term of assistance,
Yes ☒ No ☐ Verification found on page 37.
- tenure of beneficiaries (e.g., rental or homeownership),
Yes ☒ No ☐ Verification found on page 37.
- does it ensure continued affordability?
Yes ☒ No ☐ Verification found on page 37 and 22 - 24.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes ☒ No ☐ Verification found on page 24 and 28 - 37.

F. LOW INCOME TARGETING

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes ☒ No ☐ Verification found on page 24 and 28 - 37.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50% of area median income?
Yes ☒ No ☐ Verification found on page 24 and 28.
Amount budgeted = \$688,177.00.

G. DEMOLISHMENT OR CONVERSION OF LOW- AND MODERATE-INCOME UNITS

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

Yes ☒ No ☐ (If no, continue to next heading)
Verification found on page 24.

Does the substantial amendment include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities?
Yes ☒ No ☐ Verification found on page 24.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for

in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion)?

Yes ☒ No ☐ Verification found on page 28 - 37.

- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income?

Yes ☒ No ☐ Verification found on page 28 - 37.

H. PUBLIC COMMENT PERIOD

Was the proposed action plan amendment published via the grantee jurisdiction's usual methods and on the Internet for no less than 15 calendar days of public comment?

Yes ☒ No ☐ Verification found on page 25 - 26.

Is there a summary of citizen comments included in the final amendment?

Yes ☒ No ☐ Verification found on page 26 - 27.

I. WEBSITE PUBLICATION

The following Documents are available on the grantee's website:

- SF 424 Yes ☒ No ☐
- Proposed NSP Substantial Amendment Yes ☒ No ☐
- Final NSP Substantial Amendment Yes ☒ No ☐
- Subsequent NSP Amendments Yes ☐ No ☐

Website URL: www.shelbycountyttn.gov

K. CERTIFICATIONS

The following certifications are complete and accurate:

- | | | |
|--|---|-----------------------------|
| (1) Affirmatively furthering fair housing | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) Anti-lobbying | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) Consistency with Plan | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (5) Acquisition and relocation | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (6) Section 3 | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (7) Citizen Participation | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (8) Following Plan | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (9) Use of funds in 18 months | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (10) Use NSP funds \leq 120 of AMI | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (12) Excessive Force | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (15) Compliance with laws | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |